



**HARRY GWALA DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

GENERAL INFORMATION

MEMBERS OF THE COUNCIL

M NDOBE
NH DUMA
GP NZIMANDE
SB BHENGU

KS MADLALA

CB KUNENE

NB MNGADI
ZS NYIDE
VW ZAZA
VP MAJOZI
JS MSIYA
MW TSHIBASE
V MHATU
ME MKHIZE
M NONDABULA
SD RADEBE
XR TSHAZI
SJ BHENGU
SS MAVUMA
B THABETHE
AT SONDZABA
CM NGCOBO
BW DLAMINI
PB KLEINBOOI

MAYOR
DEPUTY MAYOR
SPEAKER
MEMBER OF THE EXECUTIVE
COMMITTEE
MEMBER OF THE EXECUTIVE
COMMITTEE
MEMBER OF THE EXECUTIVE
COMMITTEE
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER
MEMBER

MUNICIPAL MANAGER

MRS AN DLAMINI

CHIEF FINANCIAL OFFICER

MR M MKATU

GRADING OF LOCAL AUTHORITY

GRADE 4

AUDITORS

AUDITOR-GENERAL SOUTH AFRICA
Chartered Accountants (S.A.)

BANKERS

FIRST NATIONAL BANK

PHYSICAL ADDRESS

40 MAIN STREET
IXOPO
3276

POSTAL ADDRESS

PRIVATE BAG X501
IXOPO
3276

LEGAL FORM OF ENTITY

DISTRICT MUNICIPALITY

TELEPHONE NUMBER

039 - 834 8700
039 - 834 2258

FAX NUMBER

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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ABBREVIATIONS

COLD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out in pages 67 in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 34 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mrs AN Dlamini
Municipal Manager

30 November 2016

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	3	191,663	262,552
Receivables from non-exchange transactions	4	2,995,815	5,076,069
VAT receivable	5	18,504,086	1,423,106
Consumer debtors	6	25,219,196	25,704,130
Cash and cash equivalents	7	5,818,976	25,871,310
		52,729,736	58,337,167
Non-Current Assets			
Property, plant and equipment	8	1,672,336,416	1,471,580,369
Intangible assets	9	643,359	1,009,761
Investment in entity	10	100	100
		1,672,979,875	1,472,590,230
Total Assets		1,725,709,611	1,530,927,397
Liabilities			
Current Liabilities			
Borrowings	11	5,462,675	3,265,828
Finance lease obligation	12	2,062,078	2,581,422
Trade and other payables from exchange transactions	13	200,500,001	139,213,433
Trade and other payables from non-exchange transactions	14	873,929	235
Consumer deposits	15	1,345,978	1,257,312
Unspent conditional grants and receipts	16	6,676,908	7,279,923
Provisions	17	599,421	359,524
		217,520,990	153,957,677
Non-Current Liabilities			
Borrowings	11	15,683,478	18,683,390
Finance lease obligation	12	1,547,823	3,797,772
Provisions	17	19,938,185	16,671,946
		37,169,486	39,153,108
Total Liabilities		254,690,476	193,110,785
Net Assets		1,471,019,135	1,337,816,612
Accumulated surplus		1,471,019,135	1,337,816,612

* See Note 51

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	42,926,545	55,400,032
Interest on outstanding debtors		8,663,846	7,446,155
Other income	19	2,188,758	1,381,916
Interest received - Investments	20	3,070,961	3,476,098
Total revenue from exchange transactions		56,850,110	67,704,201
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	532,133,173	500,617,409
Total revenue	22	588,983,283	568,321,610
Expenditure			
Bulk purchases	23	8,576,718	8,947,479
Collection costs	24	-	2,113,738
Community participation	25	4,570,360	4,269,915
Contracted services	26	83,410,899	51,144,237
Contribution to bad debt provision	27	25,567,149	11,652,576
Depreciation and amortisation	28	40,583,311	40,452,378
Employee related costs	29	125,030,438	110,210,318
Finance costs	30	2,883,661	3,711,014
General Expenses	31	84,147,893	70,001,503
Grants and subsidies paid	32	16,096,020	16,500,640
Operating grant expenditure	33	30,325,545	37,929,598
Remuneration of councillors	34	6,037,608	5,687,525
Repairs and maintenance	35	26,938,721	22,120,729
Total expenditure		454,168,323	384,741,650
Operating surplus		134,814,960	183,579,960
Impairment loss on assets	36	(83,340)	(406,913)
Loss on disposal of assets	37	(1,529,100)	(9,953,337)
		(1,612,440)	(10,360,250)
Surplus for the year		133,202,520	173,219,710

* See Note 51

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulate d surplus	Total net assets
Opening balance as previously reported	1,167,246,530	1,167,246,530
Adjustments		
Prior year adjustments	(2,649,628)	(2,649,628)
Balance at 01 July 2014 as restated*	1,164,596,902	1,164,596,902
Changes in net assets		
Surplus for the year	173,219,710	173,219,710
Total changes	173,219,710	173,219,710
Opening balance as previously reported	1,338,874,047	1,338,874,047
Adjustments		
Prior year adjustments	(1,057,432)	(1,057,432)
Restated* Balance at 01 July 2015 as restated*	1,337,816,615	1,337,816,615
Changes in net assets		
Surplus for the year	133,202,520	133,202,520
Total changes	133,202,520	133,202,520
Balance at 30 June 2016	1,471,019,135	1,471,019,135

* See Note 51

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		13,767,097	25,155,892
Grants		531,530,158	489,546,684
Interest income		3,070,961	3,476,098
		<u>548,368,216</u>	<u>518,178,674</u>
Payments			
Employee costs		(126,608,742)	(113,000,806)
Suppliers		(192,800,072)	(160,789,844)
Finance costs		(2,883,661)	(3,711,014)
		<u>(322,292,475)</u>	<u>(277,501,664)</u>
Net cash flows from operating activities	38	226,075,741	240,677,010
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(242,358,293)	(237,316,037)
Purchase of intangible assets	9	-	(131,588)
Net cash flows from investing activities		(242,358,293)	(237,447,625)
Cash flows from financing activities			
Repayment of borrowings	11	(803,065)	(3,529,889)
Repayment of financial liabilities	12	(2,966,717)	(3,302,671)
Net cash flows from financing activities		(3,769,782)	(6,832,560)
Net increase/(decrease) in cash and cash equivalents		(20,052,334)	(3,603,175)
Cash and cash equivalents at the beginning of the year		25,871,310	29,474,485
Cash and cash equivalents at the end of the year	7	5,818,976	25,871,310

* See Note 51

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

APPROPRIATION STATEMENT

Figures in Rand

	Original budget	Budget adjustments (l.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (l.t.o. s31 of the MFMA)	Virement (l.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Service charges	55,902,384	(80,351)	55,822,033	-	-	55,822,033	42,926,545	-	(12,895,488)	77 %	77 %
Investment revenue	4,375,000	(1,000,000)	3,375,000	-	-	3,375,000	3,070,961	-	(304,039)	91 %	70 %
Transfers recognised - operational	249,823,125	10,580,350	260,403,475	-	-	260,403,475	281,141,130	-	20,737,655	108 %	113 %
Other own revenue	7,328,000	1,770,000	9,098,000	-	-	9,098,000	10,852,604	-	1,754,604	119 %	148 %
Total revenue (excluding capital transfers and contributions)	317,428,509	11,269,999	328,698,508	-	-	328,698,508	337,981,240	-	9,282,732	103 %	106 %
Employee costs	(114,030,672)	(2,000,000)	(116,030,672)	-	-	(116,030,672)	(125,030,438)	(8,999,766)	(8,999,766)	108 %	110 %
Remuneration of councillors	(7,320,558)	-	(7,320,558)	-	-	(7,320,558)	(6,037,608)	-	1,282,950	82 %	82 %
Debt impairment	(24,691,673)	-	(24,691,673)	-	-	(24,691,673)	(25,567,149)	(875,476)	(875,476)	104 %	104 %
Depreciation and asset impairment	(30,000,000)	-	(30,000,000)	-	-	(30,000,000)	(40,583,311)	(10,583,311)	(10,583,311)	135 %	135 %
Finance charges	(2,228,389)	1,114,000	(1,114,389)	-	-	(1,114,389)	(2,883,661)	(1,769,272)	(1,769,272)	259 %	129 %
Materials and bulk purchases	(8,705,737)	(1,146,525)	(9,852,262)	-	-	(9,852,262)	(8,576,718)	-	1,275,544	87 %	99 %
Contracted services	(32,015,000)	(21,340,610)	(53,355,610)	-	-	(53,355,610)	(83,410,899)	(30,055,289)	(30,055,289)	156 %	261 %
Transfers and grants	(20,000,000)	1,903,980	(18,096,020)	-	-	(18,096,020)	(16,096,020)	-	2,000,000	89 %	80 %
Other expenditure	(108,629,407)	(19,959,161)	(128,588,568)	-	-	(128,588,568)	(145,982,518)	(18,393,951)	(18,393,951)	115 %	137 %
Loss on disposal of assets	-	-	-	-	-	-	(1,529,100)	(1,529,100)	(1,529,100)	DIV/0 %	DIV/0 %
Total expenditure	(345,621,436)	(41,428,316)	(387,049,752)	-	-	(387,049,752)	(465,697,423)	(73,206,165)	(68,647,671)	118 %	132 %
Surplus/(Deficit)	(28,192,927)	(30,158,317)	(58,351,244)	-	-	(58,351,244)	(117,706,183)	-	(59,354,939)	202 %	418 %

Harry Gwala District Municipality
Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	270,789,875	(26,500,000)	244,289,875	-		244,289,875	250,992,043		6,702,168	103 %	93 %
Surplus (Deficit) after capital transfers and contributions	242,596,948	(56,658,317)	185,938,631	-		185,938,631	133,285,860		(52,652,771)	72 %	55 %
Surplus/(Deficit) for the year	242,596,948	(56,658,317)	185,938,631	-		185,938,631	133,285,860		(52,652,771)	72 %	55 %
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	270,789,875	(26,500,000)	244,289,875	-		244,289,875	240,679,569		(3,610,306)	99 %	89 %
Internally generated funds	7,750,000	(1,801,960)	5,948,040	-		5,948,040	1,876,148		(4,071,892)	32 %	24 %
Total sources of capital funds	278,539,875	(28,301,960)	250,237,915	-		250,237,915	242,555,717		(7,682,198)	97 %	87 %

Harry Gwala District Municipality
Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	268,684,861	(5,075,079)	263,589,782	-		263,589,782	226,075,741		(37,514,041)	86 %	84 %
Net cash from (used) investing	(248,610,468)	(28,301,960)	(276,912,428)	-		(276,912,428)	(242,358,293)		34,554,135	88 %	97 %
Net cash from (used) financing	(3,683,676)	989,998	(2,693,678)	-		(2,693,678)	(3,769,782)		(1,076,104)	140 %	102 %
Net increase/(decrease) in cash and cash equivalents	16,370,717	(32,387,041)	(16,016,324)	-		(16,016,324)	(20,052,334)		(4,036,010)	125 %	(122) %
Cash and cash equivalents at the beginning of the year	36,320,214	(10,448,904)	25,871,310	-		25,871,310	25,871,310		-	100 %	71 %
Cash and cash equivalents at year end	52,690,931	(42,835,945)	9,854,986	-		9,854,986	5,818,976		4,036,010	59 %	11 %

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

Reported unauthorise d expenditur e	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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VARIANCE EXPLANATIONS

1. Service charges - Impact of drought in the Province leading to reduced demand.
2. Interest investment - Lower than expected investment performance due to lower investment balances.
3. Other revenue - Variances due to lower than projected debtors balance and under budgeting.
4. Government grants and subsidies - Underexpenditure on operational conditional grants.
5. Employee related costs - Staff increase due to operational requirements.
6. Remuneration of councillors - Over budgeting for Councillors allowance due to late determination receipt.
7. Depreciation and asset impairments - Additional assets in excess of budgeted depreciation.
8. Finance costs - Under budgeted for finance costs.
9. Material and bulk purchases - Lower than projected bulk water consumption due to drought.
10. Transfers and grants - Decrease in the Transfer to the Harry Gwala Development Agency to mitigate cash flow risk.
11. Other expenditures - Excess expenditure is mainly attributable to the accelerated provision of sanitation services in rural areas.

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.3 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Revenue Recognition

Accounting Policy on Revenue from Exchange Transactions and Accounting Policy on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. In particular when services are rendered, and whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgment by management.

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

ACCOUNTING POLICIES

1.3 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

Impairment of Financial Assets

Accounting Policy on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies on property, plant and equipment and intangible assets, the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

Impairment: Write down of PPE

Significant estimates and judgments are made relating to PPE impairment tests.

Defined Benefit Plan Liabilities

As described in Accounting Policy on employee benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19: Employee Benefits. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan.

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

ACCOUNTING POLICIES

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	
• Office		30 years
Transport Assets	Straight line	
• Motor vehicles		7 years
• Trailers and accessories		10 years
• Trucks		10 years
Furniture and office equipment	Straight line	
• Office equipment (including fax machines)		7 years
• Office furniture		10 years
• Paintings, sculptures, ornaments (home and office)		10 years

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

ACCOUNTING POLICIES

1.4 PROPERTY, PLANT AND EQUIPMENT (continued)

Computer Equipment	Straight line	
• Computer hardware including operating systems		5 years
• Networks		10 years
• Computer software		5 years
Dams/structure	Straight line	
• Concrete		100 years
• Earth		50 years
River	Straight line	
• Structure - Weir		50 years
• Borehole Establishment		30 years
Pump Stations	Straight line	
• Structure - buildings		55 years
• Structure - Clarifiers		55 years
• Structure - Filters		55 years
• Electrical		20 years
• Mechanical		15 years
• Containers - Diesel		15 years
• Structure - Carports		15 years
Perimeter protection	Straight line	
• Palisade - Concrete		25 years
• Palisade - Steel / Razor wire / Weld mesh		15 years
Reservoirs	Straight line	
• Structure - Concrete		50 years
• Structure - Galaxy		30 years
• Structure - Steel Tank		30 years
• Structure - Jojo		15 years
• Electrical		20 years
• Mechanical		15 years
Underground	Straight line	
• Chambers		30 years
• Manholes		30 years
Water purification works	Straight line	
• Structure		55 years
• Ponds		55 years
• Electrical		20 years
• Mechanical		15 years
Spring protection	Straight line	
• Spring		20 years
• Jojo tank		15 years
• Reticulation		40 years
• Standpipes		20 years
Sewerage pump stations	Straight line	
• Structure - Buildings		55 years
• Structure - Reactors		55 years
• Structure - Drying beds		55 years
• Structure - Clarifiers chambers		35 years
• Structure - Maturation Ponds		35 years
• Electrical		20 years
• Mechanical		15 years
• Containers - Diesel		15 years
• Structure - Carports, ect.		15 years
• Rising mains		40 years
• Gravity mains		40 years
Other machinery and equipment	Straight line	
• Audiovisual equipment		10 years
• Building air conditioning systems		5 years
• Domestic equipment		5 years
• Kitchen appliances		10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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ACCOUNTING POLICIES

1.4 PROPERTY, PLANT AND EQUIPMENT (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 INTANGIBLE ASSETS

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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ACCOUNTING POLICIES

1.6 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables..

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Short-term Investment Deposits - Call
Bank Balances and Cash
Long-term Receivables
Consumer Debtors
Other Debtors
Investments in Fixed Deposits

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Long-term Liabilities
Trade and other payables
Bank Overdraft
Short-term loans

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

ACCOUNTING POLICIES

1.6 FINANCIAL INSTRUMENTS (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

An allowance for impairment based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable and are recognized in surplus or deficit for the year:

An allowance for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. Changes in the carrying amount of the allowance for impairment are recognized in surplus or deficit for the year.

Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to nonrecoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

1.7 TAX

VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

ACCOUNTING POLICIES

1.8 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 INVENTORIES

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

Harry Gwala District Municipality

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ACCOUNTING POLICIES

1.10 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.11 EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The municipality treats its provision for leave pay as an accrual.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

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ACCOUNTING POLICIES

1.11 EMPLOYEE BENEFITS (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Pension obligations

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KSN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Provident, Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The liability is the aggregate of the present value of the defined obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

ACCOUNTING POLICIES

1.11 EMPLOYEE BENEFITS (continued)

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

ACCOUNTING POLICIES

1.12 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes to the financial statements.

1.13 COMMITMENTS

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Harry Gwala District Municipality

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ACCOUNTING POLICIES

1.14 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Service Charges

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

Finance Income

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straightline basis over the term of the lease agreement, where such lease periods span over more than one financial year.

1.15 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Harry Gwala District Municipality

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ACCOUNTING POLICIES

1.15 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Public contributions

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Services in-kind

Services in-kind are not recognised.

1.16 INVESTMENT INCOME

Investment income is recognised on a time-proportion basis using the effective interest method. Investment income comprises of interest received on investments.

1.17 BORROWING COSTS

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 COMPARATIVE INFORMATION

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

ACCOUNTING POLICIES

1.21 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.23 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.24 GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Harry Gwala District Municipality

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Notes to the Annual Financial Statements

Figures in Rand

2016

2015

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The municipality expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
3. INVENTORIES		
Opening balance -Water	262,552	268,684
Water reduction	(70,889)	(6,132)
	191,663	262,552
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Unauthorised expenditure	5,979	5,979
Debtor - Kokstad deposits	105,753	105,753
Other debtors	164,995	167,971
Cyclone construction - Farmers market	2,000,000	2,000,000
Umpisi Engineers - Mngumeni	-	2,077,278
SARS - debtors/salaries	181,259	181,259
ACB/debtors	424,247	424,247
Councillors laptops	94,045	94,045
Councillors bursary	19,537	19,537
	2,995,815	5,076,069
5. VAT RECEIVABLE		
VAT reconciliation	15,116,421	4,401,086
VAT Wesbank Finance	-	28,679
Year end creditors VAT reclaimable	18,762,097	10,924,509
VAT on consumer accruals	(15,374,432)	(13,931,168)
	18,504,086	1,423,106
VAT is payable on a receipt basis. Only once payment is received from debtors is VAT paid over to SARS.		
6. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Gross balances		
Rates	270,941	270,941
Water	74,339,713	68,118,875
Sewerage	35,583,501	31,514,817
Interest	19,663,361	11,856,006
Value added taxation	15,374,432	13,931,168
Debtors direct deposits	(72,668)	(1,939,871)
	145,159,280	123,751,936
Less: Allowance for impairment		
Rates	(270,941)	(270,941)
Water	(57,972,162)	(49,940,470)
Sewerage	(32,220,655)	(27,130,189)
Interest	(16,853,742)	(9,929,088)
Value added taxation	(12,622,584)	(10,777,118)
	(119,940,084)	(98,047,806)
Net balance		
Water	16,367,551	18,178,405
Sewerage	3,362,846	4,384,628
Interest	2,809,619	1,926,918
Value added taxation	2,751,848	3,154,050
Debtors direct deposits	(72,668)	(1,939,871)
	25,219,196	25,704,130

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

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6. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Rates

> 365 days

270,941

270,941

Water & Sewerage

Current (0 -30 days)

5,405,855

8,925,577

31 - 60 days

1,779,726

3,368,979

61 - 90 days

1,826,139

3,146,938

>91 days

114,718,811

95,878,672

123,730,531

111,320,166

Reconciliation of provision for bad debts

Balance at the beginning of the year

(98,047,806)

(96,250,885)

Contributions to bad debt provision

(25,567,149)

(11,652,576)

Debt impairment written off against the provision

3,674,871

9,855,655

(119,940,084)

(98,047,806)

The debtors direct deposits is an amount of debtors received via the bank account at year end but not yet captured to reduce the the respective individual debtors balance.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand

300

300

Bank balances

299,557

72,517

Short-term deposits

5,519,119

25,798,493

5,818,976

25,871,310

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand		2016	2015			
7. CASH AND CASH EQUIVALENTS (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB Ixopo branch Account Number 62022648169	299,557	72,517	1,634,142	299,557	72,517	1,634,142
FNB Call Account - 62032587331	2,099	485,210	7,823,059	2,099	485,210	7,823,059
FNB Call Account - 62095523281	231,610	7,131,803	200,000	231,610	7,131,803	200,000
FNB Call Account - 62138538692	47,173	1,145	683,888	47,173	1,145	683,888
FNB Call Account - 62398395204	9,922	415,126	5,470,646	9,922	415,126	5,470,646
FNB Call Account - 62434145331	2,735	3,045	4,064	2,735	3,045	4,064
FNB Call Account - 62434147072	11,748	3,977	2,772	11,748	3,977	2,772
FNB Call Account - 62434151239	5,243	6,172,847	639,022	5,243	6,172,847	639,022
FNB Call Account - 62414264797	8,996	9,022	2,040,753	8,996	9,022	2,040,753
Investec BANK - Cali account - 50006688425	5,199,592	11,576,318	10,975,839	5,199,592	11,576,318	10,975,839
Total	5,818,675	25,871,010	29,474,185	5,818,675	25,871,010	29,474,185

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

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8. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17,080,597	-	17,080,597	17,080,597	-	17,080,597
Buildings	31,169,837	(6,497,306)	24,672,531	31,169,837	(5,550,312)	25,619,525
Plant and machinery	2,645,590	(2,021,474)	624,116	4,076,532	(1,903,622)	2,172,910
Furniture and fixtures	5,160,714	(3,778,977)	1,381,737	4,625,111	(3,240,305)	1,384,806
Motor vehicles	12,603,949	(6,841,122)	5,762,827	14,583,950	(7,237,151)	7,346,799
Infrastructure	1,165,297,216	(313,812,288)	851,484,928	1,165,297,216	(280,231,777)	885,065,439
Community	5,188,302	(1,502,124)	3,686,178	5,188,302	(1,377,383)	3,810,919
Other assets	6,578,641	(4,366,402)	2,212,239	6,445,871	(3,481,489)	2,964,382
Work in progress	758,881,684	-	758,881,684	517,137,830	-	517,137,830
Finance lease assets	14,496,483	(7,946,904)	6,549,579	15,337,731	(6,340,569)	8,997,162
Total	2,019,103,013	(346,766,597)	1,672,336,416	1,780,942,977	(309,362,608)	1,471,580,369

Harry Gwala District Municipality
Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 30 June 2016

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	17,080,597	-	-	-	-	17,080,597
Buildings	25,619,525	-	-	(946,994)	-	24,672,531
Plant and machinery	2,172,910	-	(1,039,057)	(509,737)	-	624,116
Furniture and fixtures	1,384,806	535,593	-	(538,662)	-	1,381,737
Motor vehicles	7,346,799	-	-	(1,583,972)	-	5,762,827
Infrastructure	885,065,439	-	-	(33,497,171)	(83,340)	851,484,928
Community	3,810,919	-	-	(124,741)	-	3,686,178
Other assets	2,964,382	132,770	-	(884,913)	-	2,212,239
Work in progress	517,137,830	241,743,854	-	-	-	758,881,684
Finance leases - Assets	8,997,162	173,180	(490,043)	(2,130,720)	-	6,549,579
	1,471,580,369	242,585,397	(1,529,100)	(40,216,910)	(83,340)	1,672,336,416

Reconciliation of property, plant and equipment - 30 June 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17,080,597	-	-	-	-	-	17,080,597
Buildings	10,150,623	-	-	18,259,185	(2,790,283)	-	25,619,525
Plant and machinery	1,561,172	1,093,702	-	-	(481,964)	-	2,172,910
Furniture and fixtures	1,640,809	198,838	-	-	(454,841)	-	1,384,806
Motor vehicles	6,058,778	2,626,373	-	-	(1,338,352)	-	7,346,799
Infrastructure	802,682,535	674,796	(9,953,336)	123,974,660	(31,906,303)	(406,913)	885,065,439
Community	3,935,660	-	-	-	(124,741)	-	3,810,919
Other assets	2,897,686	854,566	-	-	(787,870)	-	2,964,382
Work in progress	427,503,914	231,867,761	-	(142,233,845)	-	-	517,137,830
Finance lease assets	9,592,972	1,628,794	-	-	(2,224,604)	-	8,997,162
	1,283,104,746	238,944,830	(9,953,336)	-	(40,108,958)	(406,913)	1,471,580,369

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

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8. PROPERTY, PLANT AND EQUIPMENT (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. INTANGIBLE ASSETS

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,682,665	(2,039,306)	643,359	2,682,665	(1,672,904)	1,009,761

Reconciliation of Intangible assets - 30 June 2016

	Opening balance	Amortisation	Total
Computer software	1,009,761	(366,402)	643,359

Reconciliation of intangible assets - 30 June 2015

	Opening balance	Additions	Amortisation	Total
Computer software	1,221,594	131,588	(343,421)	1,009,761

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
10. INVESTMENT IN ENTITY		
Residual interest at cost		
Unlisted shares	100	100
100 Ordinary shares @ R1 per share in Harry Gwala Development Agency (Pty) Ltd		
Non-current assets		
Residual interest at cost	100	100
11. BORROWINGS		
At amortised cost		
DBSA	-	568,692
The loan bears a nominal fixed interest rate of 10.88 % per annum compounded bi-annually.		
The loan is redeemable in twenty equal installments bi-annually in arrears on 31 March and 30 September each year until 30 September 2015.		
ABSA	21,146,153	21,380,526
The loan bears a nominal fixed interest rate of 11.59 % compounded bi-annually		
The loan is redeemable in twenty equal installments bi-annually in arrears on 31 May and 31 November each year until 31 June 2021 .		
	21,146,153	21,949,218
Total other financial liabilities	21,146,153	21,949,218
Non-current liabilities		
At amortised cost	15,683,478	18,683,390
Current liabilities		
At amortised cost	5,462,675	3,265,828
12. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within one year	2,601,176	3,219,298
- in second to fifth year inclusive	2,361,042	4,236,451
Present value of minimum lease payments	4,962,218	7,455,749
Present value of minimum lease payments due		
- within one year	2,062,078	2,581,422
- in second to fifth year inclusive	1,547,823	3,797,772
	3,609,901	6,379,194
Non-current portion	1,547,823	3,797,772
Current portion	2,062,078	2,581,422
	3,609,901	6,379,194

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
13. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Accounts payable	147,481,753	97,343,774
Provision for leave pay	9,572,975	8,619,807
SARS VAT	-	465,887
Retention	36,211,325	29,219,697
Debtors with credit balances	2,955,170	2,336,524
Other creditors	4,092	11,447
Salary intergration	4,274,686	1,216,297
	200,500,001	139,213,433
The fair value of trade and other payables approximates their carrying amounts.		
Debtors with credit accounts are accounts receivables who have overpaid thier amounts and have have been reclassified to creditors.		
14. TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Municipal Systems Improvement Grant	10,269	-
Financial Management Grant	2,365	-
Energy Efficiency Demand Management Grant	861,060	-
Neighbourhood development grant	235	235
	873,929	235
15. CONSUMER DEPOSITS		
Water	1,345,978	1,257,312
16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Accredited Councillors Training Grant	62,803	62,803
Development Bank of South Africa	406,480	406,480
Development Planning Shared Services Grant	4,879,982	3,019,982
District Growth Summit COGTA	31,301	31,301
Energy Efficiency Demand Management Grant	-	2,439,980
Gijima Grant	235,810	235,810
Government Experts Grant	445,014	445,014
Local Govt. Sector Education Training Authority	172,099	-
Massification - COGTA	36,307	36,307
Public Transport Grant	66,587	66,587
Rural Transport Service & Infrastructure Grant	-	195,134
Signage Grant - COGTA	98,112	98,112
Sihleza Maize Production Project (COGTA)	242,413	242,413
Movement during the year		
Balance at the beginning of the year	7,279,923	19,552,135
Additions during the year	279,901,945	289,887,705
Income recognition during the year	(280,504,960)	(302,159,917)
	6,676,908	7,279,923

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
17. PROVISIONS		
Non-current liabilities	19,938,185	16,671,946
Current liabilities	599,421	359,524
	20,537,606	17,031,470

The balance of R20 537 606 (2015 : R17 031 470) consists of post-retirement health care benefit liability of R16 172 855 (2015 : R13 313 118) and Long service awards liability of R4 364 751 (2015 : R3 718 352) as detailed below:

RETIREMENT BENEFIT LIABILITY

Post-retirement Health Care Benefit Liability

Balance at beginning of year	13,313,118	10,924,126
Contributions to Provision	2,906,189	2,432,408
Benefits paid	(46,452)	(43,416)
Balance at end of year	16,172,855	13,313,118
Less current portion	46,452	46,452
Non-current portion	16,126,403	13,266,666

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the post-employment Medical Aid Benefit Plan are made up as follows:

In-service Members (Employees)	210	202
Continuation Members (Retirees, widowers and orphans)	1	1
Total Members	211	203

The liability in respect of past service has been estimated as follows:

In-service Members	15,700,487	12,823,836
Continuation Members	472,369	489,282
Total Liability	16,172,856	13,313,118

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

Harry Gwala District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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17. PROVISIONS (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	9.49 %	9.31 %
Health Care Cost inflation Rate	8.50 %	8.36 %
Net Effective Discount Rate	0.91 %	0.88 %
Expected Retirement Age - Females	55	55
Expected Retirement Age - Males	60	60

Movements in the present value of the Defined Benefit Obligations were as follows:

Balance at the beginning of the year:	13,313,118	10,924,126
Current service costs	1,459,896	1,191,186
Interest cost	1,237,725	1,035,539
Benefits paid	(46,452)	(43,416)
Actuarial losses	208,569	205,683
Present Value of Fund Obligation at the end of the year	16,172,856	13,313,118

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1,459,896	1,191,186
Interest cost	1,237,725	1,035,539
Actuarial losses	208,569	205,683
Total Post-retirement Benefit included in Employee Related cost	2,906,190	2,432,408

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement

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17. PROVISIONS (continued)

The following table summarises the results of the sensitivity analysis.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions	-	15.700	0.472	16.172	- %
Health care inflation	1%	17.101	0.473	17.574	9 %
	-1%	13.885	0.470	14.355	-18 %
Post-retirement mortality	- 1 yr	16.212	0.490	16.702	16 %
Average retirement age	- 1 yr	16.571	0.472	17.043	2 %
Continuation of membership at retirement	-10%	13.060	0.472	13.532	-16 %

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer. The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 9% higher than that shown.

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2017

Assumption	Change	Current service cost	Interest cost	Total	% change
Central Assumptions	-	1,580,300	1,532,100	3,112,400	- %
Health care inflation	1%	1,726,700	1,665,000	3,391,700	9 %
	-1%	1,373,900	1,359,600	2,733,500	-12 %
Post-retirement mortality	- 1 yr	1,629,400	1,582,300	3,211,700	3 %
Average retirement age	- 1 yr	1,630,700	1,614,700	3,245,400	4 %
Continuation of membership at retirement	-10%	1,315,700	1,281,600	2,597,300	-17 %

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17. PROVISIONS (continued)

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2016-

Assumption	Change	Current service cost	Interest cost	Total	% change
Central Assumptions	-	1,459,900	1,237,700	2,697,600	- %
Health care Inflation	1%	1,622,700	1,362,300	2,985,000	11 %
	-1%	1,248,700	1,084,100	2,332,800	-14 %
Post-retirement mortality	- 1 yr	1,507,300	1,279,400	2,786,700	3 %
Average retirement age	- 1 yr	1,536,400	1,370,400	2,906,800	8 %
Continuation of membership at retirement	-10%	1,184,300	1,032,200	2,216,500	-18 %

Long service awards liability

Balance at beginning of year	3,718,352	3,210,307
Contributions to Provision	960,101	671,134
Benefits paid	(313,702)	(163,089)
Balance at end of year	4,364,751	3,718,352
Less current portion	552,969	313,702
Non-current portion	3,811,782	3,404,650

The municipality operate an unfunded defined benefit plan for all its employees. Under the plan a Long-service Award is payable after 10 years thereafter to employees. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.57 %	8.10 %
Salary Cost inflation Rate	7.23 %	7.13 %
Net Effective Discount Rate	1.25 %	0.90 %
Expected Retirement Age - Females	55	55
Expected Retirement Age - Males	60	60

Movements in the present value of the Defined Benefit Obligations were as follows:

Balance at the beginning of the year:	3,718,352	3,210,307
Current service costs	484,083	404,775
Interest cost	288,602	253,975
Benefits paid	(313,702)	(163,089)
Actuarial losses	187,416	12,384
Present Value of Fund Obligation at the end of the year	4,364,751	3,718,352

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17. PROVISIONS (continued)		
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	484,083	404,775
Interest cost	288,602	253,975
Actuarial losses	187,416	12,384
Total Post-retirement Benefit included in Employee Related cost	960,101	671,134

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- (i) The general salary inflation rate assumption;
- (ii) The discount rate assumption;
- (iii) The average retirement age of employees; and
- (iv) Assumed rates of withdrawal of employees from service.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year decrease and increase in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rates from service.

Harry Gwala District Municipality

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17. PROVISIONS (continued)

The following table summarises the results of the sensitivity analysis.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	% change
Central Assumptions	-	4.365	- %
General salary inflation	1%	4.653	7 %
	-1%	4.102	-6 %
Average retirement age	+2 yr	3.888	-11 %
	-2 yr	4.768	9 %
Withdrawal rate	-50%	5.527	27 %

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2017

Assumption	Change	Current service cost	Interest cost	Total	% change
Central Assumptions	-	539,600	351,000	890,600	- %
General salary inflation	1%	584,100	375,600	959,700	8 %
	-1%	499,500	328,600	828,100	-14 %
Average retirement age	+2 yr	487,500	310,100	797,600	-4 %
	-2 yr	583,100	385,600	968,700	21 %
Withdrawal rate	-50%	746,100	450,600	1,196,700	24 %

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2016-

Assumption	Change	Current service cost	Interest cost	Total	% change
Central Assumptions	-	484,100	288,600	772,700	- %
General salary inflation	1%	526,000	309,400	835,400	8 %
	-1%	446,600	269,700	716,300	-14 %
Average retirement age	+2 yr	437,900	255,400	693,300	-3 %
	-2yr	528,000	321,800	849,800	23 %
Withdrawal rate	-50%	683,100	374,600	1,057,700	24 %

Harry Gwala District Municipality

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18. SERVICE CHARGES		
Sale of water	31,479,609	41,460,456
Sewerage and sanitation charges	11,446,936	13,939,576
	42,926,545	55,400,032
19. OTHER INCOME		
Clearance certificate	2,049	4,035
Conservancy tanks	133,230	230,023
Endowment fees	18,876	124,987
Insurance refunds	680,664	-
Onsite disposal - sanitation	55,467	46,422
Salary deductions	390,378	-
Sewer connection	37,538	49,193
Sundry Income	150	-
Tender documents	204,250	412,606
Vaccum tank - honeysucker	149,997	300,311
Water connection fees	54,703	57,999
Water sales - tankers	461,456	156,340
	2,188,758	1,381,916
20. INTEREST RECEIVED		
Interest revenue		
Interest on investments	3,070,961	3,476,098
21. GOVERNMENT GRANTS AND SUBSIDIES		
Operating grants		
Equitable Share	241,034,114	230,622,000
Expanded Public Works Programme	3,466,000	2,416,226
Rural Household Infrastructure Grant	4,500,000	5,956,953
Municipal Systems Improvement Grant	929,731	885,420
Financial Management Grant	1,247,635	1,197,828
Local Govt. Sector Education Training Authority	-	26,791
PMU MIG Grant	7,441,804	24,329,295
Umzimkhulu - COGTA	-	5,242,066
Development Planning Shared Services	240,000	166,009
Rural Transportation Service Infrastructure Grant	2,040,000	1,792,176
Energy Efficiency Demand Management Grant	6,138,940	5,266,423
VAT on Conditional Grants - OPEX	-	4,295,504
Drought Relief	14,102,906	-
	281,141,130	282,196,691
Capital grants		
Regional Bulk Infrastructure Grant	15,149,847	27,817,823
Disaster Management Grant	-	885,571
Expanded Public Works Programme	-	272,646
Municipal Infrastructure Grant	192,342,196	136,730,520
Municipal Water Infrastructure Grant	43,500,000	23,922,740
VAT on Conditional Grants - CAPEX	-	28,791,418
	250,992,043	218,420,718
	532,133,173	500,617,409

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Figures in Rand	2016	2015
21. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Infrastructure Grant		
Current-year receipts	199,784,000	187,028,000
Conditions met - transferred to revenue	(199,784,000)	(187,028,000)
	-	-
Change Management Committee Grant		
Balance unspent at beginning of year	-	51,685
Restatement adjustment	-	(51,685)
	-	-
Municipal Monitoring System Grant		
Balance unspent at beginning of year	-	300,000
Restatement adjustment	-	(300,000)
	-	-
Disaster Management Grant		
Balance unspent at beginning of year	-	285,020
Restatement adjustment	-	(285,020)
	-	-
Support Staff Grant		
Balance unspent at beginning of year	-	24,462
Restatement adjustment	-	(24,462)
	-	-
Integrated Development Plan Grant		
Balance unspent at beginning of year	-	185,141
Restatement adjustment	-	(185,141)
	-	-
Drought Relief Grant		
Balance unspent at beginning of year	-	9,054
Current-year receipts	14,102,906	-
Conditions met - transferred to revenue	(14,102,906)	-
Restatement adjustment	-	(9,054)
	-	-

Harry Gwala District Municipality

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Figures in Rand	2016	2015
21. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Sports and Recreation Programme Grant		
Balance unspent at beginning of year	-	550,497
Restatement adjustment	-	(550,497)
	-	-
Municipal Systems Improvement Grant		
Current-year receipts	940,000	934,000
Conditions met - transferred to revenue	(929,731)	(934,000)
Adjustment to payables from non - exchange	(10,269)	-
	-	-
Conditions still to be met - remain liabilities (see note 16).		
Public Transport Grant		
Balance unspent at beginning of year	66,587	66,587
Conditions still to be met - remain liabilities (see note 16).		
Development Bank of South Africa		
Balance unspent at beginning of year	406,480	406,480
Conditions still to be met - remain liabilities (see note 16).		
Management Assistant Program grant		
Balance unspent at beginning of year	-	10,436
Restatement adjustment	-	(10,436)
	-	-
GIS Support Grant		
Balance unspent at beginning of year	-	141,088
Restatement adjustment	-	(141,088)
	-	-
Learnership Grant		
Balance unspent at beginning of year	-	782,000
Restatement adjustment	-	(782,000)
	-	-

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Figures in Rand	2016	2015
21. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Financial Management Grant		
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,247,635)	(1,250,000)
Adjustment to payables from non - exchange	(2,365)	-
	-	-
Conditions still to be met - remain liabilities (see note 16).		
Performance management grant		
Balance unspent at beginning of year	-	325,055
Restatement adjustment	-	(325,055)
	-	-
Local Economic Development Grant		
Balance unspent at beginning of year	-	518,008
Restatement adjustment	-	(518,008)
	-	-
Municipal Water Infrastructure Grant - DWA		
Balance unspent at beginning of year	-	3,665,925
Current-year receipts	43,500,000	22,800,000
Conditions met - transferred to revenue	(43,500,000)	(26,465,925)
	-	-
Accredited Councillors Training		
Balance unspent at beginning of year	62,803	62,803
Conditions still to be met - remain liabilities (see note 16).		
Rural Transport Service & Infrastructure Grant		
Balance unspent at beginning of year	195,134	194,215
Current-year receipts	2,040,000	2,044,000
Conditions met - transferred to revenue	(2,040,000)	(2,043,081)
Adjustment	(195,134)	-
	-	195,134
Conditions still to be met - remain liabilities (see note 16).		
Development Planning Shared Services		
Balance unspent at beginning of year	3,019,982	2,935,991
Current-year receipts	2,100,000	250,000
Conditions met - transferred to revenue	(240,000)	(166,009)
	4,879,982	3,019,982
Conditions still to be met - remain liabilities (see note 16).		

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Figures in Rand	2016	2015
21. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Local Government Sector Education Training Authority		
Current-year receipts	172,099	26,791
Conditions met - transferred to revenue	-	(26,791)
	172,099	-
Conditions still to be met - remain liabilities (see note 16).		
Regional Bulk Infrastructure Grant		
Current-year receipts	15,149,847	30,217,303
Conditions met - transferred to revenue	(15,149,847)	(30,217,303)
	-	-
SIHLEZA Maize Production Project - COGTA		
Balance unspent at beginning of year	242,413	242,413
Conditions still to be met - remain liabilities (see note 16).		
Expanded Public Works Programme		
Current-year receipts	3,466,000	2,729,000
Conditions met - transferred to revenue	(3,466,000)	(2,729,000)
	-	-
Signage Grant - COGTA		
Balance unspent at beginning of year	98,112	98,112
Conditions still to be met - remain liabilities (see note 16).		
Government Experts		
Balance unspent at beginning of year	445,014	445,014
Conditions still to be met - remain liabilities (see note 16).		
Gijima Grant		
Balance unspent at beginning of year	235,810	235,810
Conditions still to be met - remain liabilities (see note 16).		
Massification - COGTA		
Balance unspent at beginning of year	36,307	5,592,263
Conditions met - transferred to revenue	-	(5,555,956)
	36,307	36,307
Conditions still to be met - remain liabilities (see note 16).		

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Figures in Rand	2016	2015
21. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Energy Efficiency Demand Side Management Grant		
Balance unspent at beginning of year	2,439,980	28,703
Current-year receipts	7,000,000	8,415,000
Conditions met - transferred to revenue	(6,138,940)	(6,003,723)
Adjustment	(2,439,980)	-
Adjustment to payables from non - exchange	(861,060)	-
	-	2,439,980
Conditions still to be met - remain liabilities (see note 16).		
District Growth Summit - COGTA		
Balance unspent at beginning of year	31,301	31,301
Conditions still to be met - remain liabilities (see note 16).		
Rural Household Infrastructure Grant		
Balance unspent at beginning of year	-	2,066,070
Current-year receipts	4,500,000	4,500,000
Conditions met - transferred to revenue	(4,500,000)	(6,566,070)
	-	-
Transformation Managers Grant		
Balance unspent at beginning of year	-	518,040
Restatement adjustment	-	(518,040)
	-	-
22. REVENUE		
Service charges	42,926,545	55,400,032
Interest on arrear accounts	8,663,846	7,446,155
Other income - (rollup)	2,188,758	1,381,916
Interest received - investment	3,070,961	3,476,098
Government grants & subsidies	532,133,173	500,617,409
	588,983,283	568,321,610
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	42,926,545	55,400,032
Interest received on arrear accounts	8,663,846	7,446,155
Other income - (rollup)	2,188,758	1,381,916
Interest received - investment	3,070,961	3,476,098
	56,850,110	67,704,201
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	532,133,173	500,617,409

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Figures in Rand	2016	2015
23. BULK PURCHASES		
Water	8,576,718	8,947,479
24. COLLECTION COSTS		
Commision on collection	-	2,113,738
25. COMMUNITY PARTICIPATION		
Bursaries - Community	416,834	311,185
Ceremonial Activities	77,000	595,312
Cleaning Campaign	17,000	77,100
Conduct Greenest Municipality	311,540	140,200
IDP Review	551,888	671,753
Mayoral Izimbizo	1,625,601	1,095,778
Mayoral Slots	549,737	409,223
Nyusi Volume	1,000,000	912,000
Press Conference and Media Briefings	20,760	53,090
Forums	-	4,274
	4,570,360	4,269,915
26. CONTRACTED SERVICES		
Annual Financial Statements	3,263,955	3,215,328
Assessment of Asset Register	3,772,481	1,677,924
Audit committe	488,828	464,377
Budget Preparation	-	(5,016)
Chemical Supply	3,641,527	4,031,930
Computer Licences and Financial Systems	1,156,686	23,627
Conferences and Services	710,886	799,464
E - Venus System Maintenance	866,960	981,026
Gardening Service	80,000	93,600
Ixopo Precinct Plan	105,257	-
Legal Fees	887,469	600,780
MFMA Capacity Building	200,756	379,280
Office Cleaning	399,243	416,223
PMS/SDBIP Review	391,240	399,121
Protective Clothing and Uniforms	1,066,579	697,762
Rain Water Harvesting	17,559,910	4,382,184
Rental of Office Equipment	534,313	537,659
Repairs and maintenance in Ingwe	2,610,104	1,893,660
Repairs and maintenance in Kokstad	2,604,067	2,472,796
Repairs and maintenance in Kwasani	525,965	758,685
Repairs and maintenance in Ubuhlebezwe	5,273,714	3,302,008
Repairs and maintenance in Umzimkhulu	8,327,594	7,301,381
Security Services	12,960,180	10,032,837
Sport Development	4,812,572	63,647
Systems and Admin Support	4,815,703	1,515,959
Training	1,559,980	578,664
Upgrade And Maintenance	229,078	339,712
VAT Consultant	1,159,723	1,897,526
Water Meters Audit and Collection Costs	1,176,886	326,763
Water Quality Monitoring	2,229,243	1,940,097
Workshops and Sessions	-	25,233
	83,410,899	51,144,237

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Figures in Rand	2016	2015
27. CONTRIBUTION TO BAD DEBT PROVISION		
Contributions to provision	25,567,149	11,652,576
28. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	40,216,910	40,108,957
Intangible assets	366,402	343,421
	40,583,312	40,452,378

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Figures in Rand	2016	2015
29. EMPLOYEE RELATED COSTS		
Basic	78,368,690	69,341,284
Health care retirement benefit	2,859,737	2,388,992
Housing benefits and allowances	1,299,430	839,833
Leave pay provision charge	1,600,678	1,732,761
Long-service awards	646,399	508,045
Experimental learning	180,576	306,000
Overtime payments	12,964,155	11,437,716
SDL	1,090,924	955,664
Social contribution - SALGBC	29,754	26,849
Social contributions - medical aid	5,306,170	4,600,726
Social contributions - pension fund	9,965,133	8,839,316
Travel, motor car, accommodation, subsistence and other allowances	10,128,055	8,693,591
UIF	590,737	539,541
	125,030,438	110,210,318
Remuneration of Municipal Manager		
Annual Remuneration	915,324	842,814
Travel, motor car, accommodation, subsistence and other allowances	378,759	363,899
Cellphone Allowance	16,692	15,600
Social contributions - UIF	1,784	1,785
Social contributions - Medical Aid	43,417	43,287
Social Contributions - SALGBC	87	41
Skills	13,034	12,168
	1,369,097	1,279,594
Remuneration of Chief Financial Officer		
Annual Remuneration	844,735	852,518
Bonus	64,869	-
Acting Allowance	17,655	-
Travel, motor car, accommodation, subsistence and other allowances	312,250	300,000
Cellphone Allowance	16,692	15,600
Social contributions - UIF	1,785	1,785
Social contributions - Medical Aid	30,938	27,954
Social Contributions - SALGBC	87	41
Skills	12,572	11,673
	1,301,583	1,209,571

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29. EMPLOYEE RELATED COSTS (continued)

Remuneration of Community Services Manager

Annual Remuneration	355,665	-
Travel, motor car, accommodation, subsistence and other allowances	114,767	-
Cellphone Allowance	7,800	-
Social contributions - UIF	892	-
Social contributions - Skills	4,638	-
	483,762	-

Ms James was appointed on the 1st of January 2016.

Remuneration of Corporate Services Manager

Annual Remuneration	802,569	816,365
Bonus	62,222	-
Travel, motor car, accommodation, subsistence and other allowances	258,518	251,334
Cellphone Allowance	16,692	15,600
Contributions - UIF	1,785	1,785
Contributions - Medical Aid	28,183	21,362
Contributions - SALGBC	87	41
Contributions - Skills	11,337	10,715
	1,181,393	1,117,202

Remuneration of Water Services Manager

Annual Remuneration	777,320	716,000
Travel, motor car, accommodation, subsistence and other allowances	399,680	384,000
Cellphone Allowance	16,692	15,600
Contributions - UIF	1,785	1,785
Contributions - SALGBC	87	41
Contributions - Skills	11,437	10,676
	1,207,001	1,128,102

Remuneration of Engineering Manager - Infrastructure

Annual Remuneration	979,929	1,005,651
Bonus	83,867	-
Travel, motor car, accommodation, subsistence and other allowances	109,000	93,600
Cellphone Allowance	16,692	15,600
Contributions - UIF	1,785	1,785
Contributions - SALGBC	87	41
Contributions - Skills	11,677	10,961
	1,203,037	1,127,638

Remuneration of Local Economic Development Manager

Annual Remuneration	-	543,793
Travel, motor car, accommodation, subsistence and other allowances	-	137,411
Cellphone Allowance	-	12,875
Social contributions - UIF	-	1,785
Social contributions - Pension Fund	-	25,088
Social contributions - SALGBC	-	81
Acting Allowance	-	44,000
	-	765,033

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30. FINANCE COSTS		
External borrowings	2,883,661	3,711,014

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31. GENERAL EXPENSES

Advertising	483,541	1,228,546
Annual reports	5,504	197,368
Assessment and verification of assets	-	1,621,379
Auditors remuneration	2,076,759	1,917,734
Bank charges	109,484	100,478
Books and publications	255,634	8,117
Bursaries	390,120	742,420
Chemicals supply	-	145,239
Conferences and seminars	-	221,706
Cultural activities	252,300	128,473
Departmental electricity consumption	333,989	320,752
Diesel for standby generator	-	24,410
Disability awareness	298,237	231,058
Disaster management	894,504	600,932
Employee wellness programme	454,055	54,635
Engineering and mentorship skills	164,607	78,321
Facilitation and co-ordination of education programme	-	58,817
Financial assistance and school campaign	311,715	242,375
Fire beaters	89,280	59,400
Fuel and oil	5,725,077	5,943,008
Functions	1,533,392	680,030
Golden games	208,940	172,882
HIV and AIDS Sukumasakhe	980,972	526,369
Harry Gwala spatial development framework	85,868	29,484
Harry Gwala district marathon	1,018,926	836,880
ICT hub and strategic support	482,218	1,106,978
Implementation of internal audit plan	203,784	1,120
Installation of water meters	2,057,403	-
Insurance	676,773	1,562,404
Legal fees	-	120,691
Lighting conductors	-	268,930
MFMA capacity building programme	55,472	128,566
Marketing & branding	302,957	426,110
Media tour	399,075	398,100
Membership fees	49,078	36,659
Other expenses	880,361	1,342,252
Penalties	224,342	-
Planned projects as per priority	1,065,068	191,758
Postage	212,726	169,679
Printing and stationery	874,627	725,912
Prioritised project implementation	-	457,071
Protective clothing	(111,491)	-
Publication of newsletter	989,375	964,746
Rental offices	749,828	997,803
Review of risk management strategy	-	164,480
Rural horse riding games	511,188	484,994
SCM capacity building	-	129,961
SALGA fees	1,291,556	1,229,567
Sewer intervention	15,903,069	8,369,750
Sports development	-	3,216,859
Staff replacement and reallocation costs	20,675	34,314
Staff welfare	218,345	224,486
System and administration support	504,251	2,992,789
Technical support	71,244	196,879
Telephone and fax	4,625,260	4,242,926
Tracker	238,202	217,877
Training	184,211	729,795
Travel, accommodation and subsistence allowances	2,176,973	1,201,634
Umngeni farm detailed plan	26,180	47,235

Harry Gwala District Municipality

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31. GENERAL EXPENSES (continued)		
Vehicle rental	251,826	434,585
Vehicles licences	155,157	93,533
Videography	93,290	87,198
Waste water risk abatement plan	-	207,880
Water conservation health and hygiene	715,507	14,750
Water expenses	16,401,556	14,495,407
Water intervention	15,364,624	5,314,210
Website management	48,971	422,940
Women's day celebration	199,900	173,070
Youth council	28,750	-
Youth development empowerment plan	332,658	204,792
	84,147,893	70,001,503
32. GRANTS AND SUBSIDIES PAID		
Harry Gwala Development Agency	16,096,020	16,500,640
33. OPERATING GRANTS EXPENDITURE		
EPWP - Salaries	1,491,566	251,500
Energy efficiency Project management and consultation fees	5,385,035	5,266,423
Eradication of Sanitation Backlogs in Ubuhlebezwe	2,522,082	3,981,524
Eradication of Sanitation Backlogs in Umzimukhulu	8,066,635	12,999,980
FMG - Systems Administration and Support	617,685	301,088
FMG - Training	4,000	254,317
FMG - Travel and accommodation	73,151	39,419
Indigent register compilation	2,488,812	-
Ingwe Household Sanitation Project	6,560,731	6,714,114
LGSETA - Training	-	26,791
MSIG - Policy Development	-	174,000
MSIG - Review of budget and performance assessment	-	58,285
MSIG - Systems Administration and Support	568,898	516,064
MSIG - Training	58,817	-
MSIG - Travel and accommodation	191,429	137,071
Massification Umzimukhulu	-	5,242,066
PMU - Travel and accommodation	67,565	8,771
Raw water purchases	289,349	-
Rural roads site supervision and consulting fees	1,699,790	1,792,176
Salaries - Development Planning Shared Services	240,000	166,009
	30,325,545	37,929,598
34. REMUNERATION OF COUNCILLORS		
Salaries	5,382,257	5,095,585
Travelling allowance	332,678	317,734
Cellphone allowance	273,212	267,806
Meeting allowance	49,461	6,400
	6,037,608	5,687,525

Harry Gwala District Municipality

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35. REPAIRS AND MAINTENANCE		
Fire Extinguishers	-	32,629
Mechanical and electrical	9,017,354	7,119,378
Maintenance of Ingwe Schemes	3,225,852	1,537,925
Maintenance of Kokstad Schemes	1,569,855	2,619,844
Maintenance of Kwasani Schemes	65,047	456,903
Maintenance of Ubuhlebezwe Schemes	5,584,205	1,671,951
Maintenance of Umzimkhulu Schemes	5,834,580	5,368,119
Office Building	1,508,200	2,881,585
Server Room Maintenance	25,173	245,483
Vehicles	108,455	186,912
	26,938,721	22,120,729
36. IMPAIRMENT OF ASSETS		
Impairments		
Property, plant and equipment	83,340	406,913
37. LOSS ON DISPOSAL OF ASSETS		
Loss on disposal of assets	1,529,100	9,953,337
38. CASH GENERATED FROM OPERATIONS		
Surplus	133,202,520	173,219,710
Adjustments for:		
Depreciation and amortisation	40,583,311	40,452,378
Impairment loss on assets	83,340	406,913
Loss on disposal of assets	1,529,100	9,953,337
Debt impairment	25,567,149	11,652,576
Movements in provisions	3,506,136	2,897,037
Correction of errors	-	(7,412,630)
Leave pay provision	953,168	908,685
Changes in working capital:		
Inventories	70,889	6,132
Receivables from exchange transactions	(25,082,215)	(30,428,235)
Other receivables from non-exchange transactions	2,080,254	(1,122,111)
Trade and other payables from exchange transactions	60,303,724	51,347,551
VAT	(17,080,980)	3,423,285
Trade and other payables from non-exchange transactions	873,694	(2,499,000)
Unspent conditional grants and receipts	(603,015)	(12,272,211)
Consumer deposits	88,666	143,593
	226,075,741	240,677,010
39. COMMITMENTS		
Authorised capital expenditure		
Approved and contracted		
• Infrastructure	199,527,221	270,406,877
Total capital commitments		
Already contracted for but not provided for	199,527,221	270,406,877

Harry Gwala District Municipality
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40. CONTINGENCIES		
Unitrade 1047 CC T/A Isidingo Security Services	25,000,000	-
B Helston Investments	-	968,000
Bhungane Built Environment	3,000,000	2,000,000
Fleetmatics vehicle management	80,000	196,563
Matatiele Local Municipality	2,941,249	-
Mdlebeni Trading (Pty) Ltd	1,500,000	1,254,000
Sektor Consulting and engineers	400,000	-
T.G Mazongolo	100,000	-
V.K Distributors	5,000	-
Zululand Steam	-	164,141
	33,026,249	4,582,704

- Built Environment Ref: 02H008025
 - This is a claim for payment of outstanding invoices for services rendered. The matter has been defended and is proceeding to trial.
- Fleetmatics vehicle management Ref: 05H008005
 - This is a claim for payment for services rendered. The matter has been defended.
- Matatiele Local Municipality
 - This is a claim for rates for Matetiele Local Municipality.
- Mdlebeni Trading (Pty) Ltd Ref: 02H008068
 - This claim is for damages against the Municipality. The matter is defended and a plea has been filed.
- Sektor Consulting and engineers Ref: 05H008002
 - This is a claim for payment for services rendered. The matter has been defended.
- T.G Mazongolo Ref: 02H008025
 - Applicant proceeded with labour court referral. The matter is proceeding to trial and awaits the allocation of a trial date.
- V.K Distributors Ref: 01H008101
 - This is an interdict application against the Municipality for tender number HGDM 432/HGDM/2014. The application was defended and has been pending and is likely to be withdrawn by the applicant.
- Actus Management Ref: 02H008003
 - This is a claim for payment for services rendered. There is also a potentation claim for damages based on breach. The claim for payment for services rendered has recently been settled.
- Unitrade 1047 CC T/A Isidingo Security Services
 - This was an application to interdict the Municipality from appointing another security service provider, pending the outcome of a review. The application for the interdict has been succesfully resisted by the municipality and we are presently opposing the review through our lawyers.

Harry Gwala District Municipality

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41. RISK MANAGEMENT

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

Call deposits	5,519,119	25,798,493
Bank balances and cash	299,557	72,517
DBSA loan	-	568,692
ABSA loan	21,146,152	21,380,525
	<u>26,964,828</u>	<u>47,820,227</u>

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in the market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, without taking account of the value of any collateral obtained:

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Cash and cash equivalents	5,818,676	25,871,009
Trade and other receivables	25,938,286	26,423,219
	<u>31,756,962</u>	<u>52,294,228</u>

42. UNAUTHORISED EXPENDITURE

Opening balance	192,940,848	164,918,134
Add current year expenditure	73,206,165	192,940,848
Approved by council or condoned	-	(164,918,134)
	<u>266,147,013</u>	<u>192,940,848</u>

43. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	87,365	26,050
Add current year expenditure	426,874	87,365
Less: Amounts condoned/ written off by council	-	(26,050)
	<u>514,239</u>	<u>87,365</u>

Harry Gwala District Municipality

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44. IRREGULAR EXPENDITURE		
Opening balance	143,360,811	187,116,940
Add: Irregular Expenditure - current year	97,313,596	143,360,811
Less: Amounts condoned	-	(187,116,940)
	240,674,407	143,360,811

45. RELATED PARTIES

Controlled Entities

The Harry Gwala District Municipality controls the following reporting entity:

Harry Gwala Development Agency:

Harry Gwala District Municipality has 100% shareholding in Harry Gwala Development Agency.

Harry Gwala Development Agency is a registered (PTY) Ltd company in terms of the Company Act 71 of 2008.

Related Party Transactions

During the financial year Harry Gwala District Municipality transferred R16 096 020 (2015: R16 500 640) to Harry Gwala Development Agency.

Key Management Personnel

The key management personnel of Harry Gwala Development Agency are:

The Chief Executive Officer Dr M A Mdletye

The Chief Financial Officer Mrs N R Shabalala

46. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

Current year subscription / fee	1,291,556	1,229,567
Amount paid - current year	(1,291,556)	(1,229,567)
	-	-

Material losses Incurred

Water losses	22,403,116	13,782,759
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The water losses of 50.47% (2015 : 28.9%) is calculated on the total consumption of 8 966 620kl (2015 : 10 367 653kl) purchased at an average price of R4.95 (2015 : R4.60) per kl. Total water stock losses amounts to 4 525 882kl (2015 : 2 996 252kl)

Water losses were made up of technical losses of R18,59 million (2014-15: R5,4 million) and non-technical losses of R3,77 million (2014-15: R8,38 38 million).

Audit fees

Current year subscription / fee	2,076,759	1,917,734
Amount paid - current year	(2,076,759)	(1,917,734)
	-	-

Harry Gwala District Municipality

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46. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

PAYE and UIF

Current year subscription / fee	18,981,337	16,346,664
Amount paid - current year	(17,333,856)	(16,346,664)
	1,647,481	-

Pension and Medical Aid Deductions

Current year subscription / fee	15,271,303	13,440,042
Amount paid - current year	(13,546,079)	(13,440,042)
	1,725,224	-

VAT

VAT receivable	18,504,086	1,423,106
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VAT output payables and VAT input receivables are shown in note 5.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ngcobo C.M	184	895	1,079
30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MM Nondabula	162	6,015	6,177
CM Ngcobo	30	897	927
	192	6,912	7,104

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the District Municipal Council.

Section 36 deviations transferred to Irregular Expenditure.

During the 2015/16 there were deviations on the SCM Procedures when acquiring goods and services from suppliers.

Incident

Supply Chain Management Deviations	-	25,345,262
Judy Magwaza Trading Enterprise	1,000,000	-
ION Consulting	941,726	-
	1,941,726	25,345,262

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47. ADDITIONAL DISCLOSURE IN TERMS OF SUPPLY CHAIN MANAGEMENT (SCM) REGULATIONS, CHAPTER 1, SECTION 45

Suppliers in which close family members/business partners or associates of employees have an interest

During the financial year Harry Gwala District Municipality had business with Come Today Trading and Projects 50 to the value of R194 000. Swelamandla Eric Mancini an employee of the municipality is the spouse to the owner of the company.

48. FINANCIAL SUSTAINABILITY

The following indicators highlight that the municipality is facing financial sustainability concerns and a material uncertainty exists that may cast doubt on the municipality's ability to meet its short term financial obligations. The following indicators highlight that the municipality is facing financial sustainability concerns and a material uncertainty exists that may cast doubt on the municipality's ability to meet its short term financial obligations:

- The net current liability position has deteriorated from R95,98 million to R164,79 million.
- The cash balance at year end decreased from R25,87 million to R5,82 million.
- The debt impairment of R119,94 million (2014-15: R98,05 million) is significant and indicates challenges surrounding the recoverability of trade receivables.

Reasons for the movements

The increase in current liabilities is attributed to the expenditure that was above the budget as a result of drought that is ravaging the district and the overspending on the capital budget in relation to municipal infrastructure grant.

The huge debt impairment is due to the water consumers not paying for the services and the fact that the infrastructure in use to measure water provision does allow for restriction in the event a debtor does not pay for services. The incentives that the municipality implemented did not achieve the set results.

Action Plan to improve the indicators

Management has prepared cash projection for capital budget in respect of municipal infrastructure grant such that the funds are spread through the financial year to avoid incurring of accruals relating to grant funding.

Management is implementing the cost containment measures that were introduced by National Treasury.

The municipality is in a process of replacing the credit water meters with smart meters which are versatile in that they are capable of being restricted; in particular, for households and business or used as credit water meters for government institutions. This approach will enhance revenue management strategy which is in place by improving debt collection and reduce the huge debt book.

Harry Gwala District Municipality

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49. EVENTS AFTER THE REPORTING DATE

New Councillors

The following Councillors were appointed after the reporting date:

1. Cllr. TN Jojozi	Speaker
2. Cllr. BP Nzimande	Exco Member
3. Cllr. N Mavuka	Exco Member
4. Cllr. LG Seja	Exco Member
5. Cllr. NW Diadla	Member
6. Cllr. TG Soni	Member
7. Cllr. V Xotongo	Member
8. Cllr. BL Marncé	Member
9. Cllr. B Caluza	Member
10. Cllr. TC Dlamini	Member
11. Cllr. ZC Khumalo	Member
12. Cllr. S Nkala	Member
13. Cllr. S Magaqa	Member
14. Cllr. SN Madziba	Member
15. Cllr. BZ Magaqa	Member
16. Cllr. SV Zulu	Member
17. Cllr. P Shange	Member
18. Cllr. BC Mncwabe	Member
19. Cllr. SJ Phakathi	Member

50. COMPARATIVE FIGURES

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Harry Gwala District Municipality

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50. COMPARATIVE FIGURES (continued)

Statement of Financial Performance	
Employee related costs previously reported	106,345,082
Skills Development levy reclassified from general expenses	955,664
Experimental learning reclassified from general expenses	306,000
Subsistence and travelling reclassified from general expenses	870,811
Provision for leave pay reclassified	1,732,761
Restated employee related costs	110,210,318
General expenses previously reported	72,248,224
Skills Development levy reclassified to employee related costs	(955,664)
Experimental learning reclassified to employee related costs	(306,000)
Subsistence and travelling reclassified to employee related costs	(870,811)
Restated general expenses	70,115,749
Provision for leave pay reviously reported	1,732,761
Provision for leave pay reclassified to employee related costs	(1,732,761)
Restated provision for leave pay balance	-
Financial management grant previously reported	475,668
FMG - Caseware and E Venus Training previously reported	117,930
FMG - Training of Bid Committe previously reported	1,226
Reclassification by nature - Systems Adiministration and Support	(301,088)
Reclassification by nature - Training	(254,317)
Reclassification by nature - Travel and accomodation	(39,419)
Restated balance	-
Municipal system improvement grant previously reported	885,420
Reclassification by nature - Policy Development	(174,000)
Reclassification by nature - Review of budget and performance assesment	(58,285)
Reclassification by nature - Systems Administration and Support	(516,064)
Reclassification by nature - Travel and accomodation	(137,071)
Restated balance	-
Eradication of Sanitation Backlog previously reported	17,592,875
Reclassification by nature - Eradication of Sanitation Backlogs in Ubuhlebezwe	(3,981,524)
Reclassification by nature - Eradication of Sanitation Backlogs in Umzimukhulu	(12,999,980)
Prior period error	(611,371)
Restated balance	-

51. PRIOR PERIOD ERRORS

The Municipality made the following adjustments to figures reported previously.

The correction of the error(s) results in adjustments as follows:

Harry Gwala District Municipality

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51. PRIOR PERIOD ERRORS (continued)

Statement of financial position

Property, plant and equipment previously reported	- 1,470,186,113
Work in progress - Greater summerfield water project cancelled orders raised as accruals	- (1,254,790)
Work in progress - Paninkukhu water project cancelled orders raised as accruals	- (883,003)
Accumulated depreciation adjustment due to reassessment of useful life - Furniture and fittings	- 1,039,231
2015 Depreciation due to reassessment of useful life - Furniture and fittings	- (218,594)
Accumulated depreciation adjustment due to reassessment of useful life - Vehicles	- 878,701
2015 Depreciation due to reassessment of useful life - Vehicles	- (177,091)
Accumulated depreciation adjustment due to reassessment of useful life - Infrastructure	- 1,016,680
2015 Depreciation due to reassessment of useful life - Infrastructure	- (48,829)
Accumulated depreciation adjustment due to reassessment of useful life - Finance lease assets	- 89,951
2015 Depreciation due to reassessment of useful life - Finance lease assets	- (3,981)
Accumulated depreciation adjustment due to reassessment of useful life - Other assets	- 1,124,302
2015 Depreciation due to reassessment of useful life - Other assets	- (168,320)
Restated balance	- 1,471,580,370

Trade and other payables from exchange transactions previously reported	- 143,144,445
Orders raised as accounts payables	- (2,024,517)
Prior year salga fees invoices	- 242,400
Work in progress - Greater summerfield water project cancelled orders raised as accruals	- (1,254,790)
Work in progress - Paninkukhu water project cancelled orders raised as accruals	- (883,003)
Fire extinguishers	- (11,100)
Restated balance	- 139,213,435

Unspent conditional grants previously reported	- 10,980,409
Recognition of revenue on old grants as per Cogta approval	- (3,700,485)
Restated balance	- 7,279,924

VAT receivable previously reported	- 12,038,392
VAT portion of provision for bad debts incorrectly accounted for	- (10,777,118)
Denied VAT Input on collection costs	- (194,814)
VAT previously not claimed on travel with flair expenses	- 356,648
Restated balance	- 1,423,108

Intangible Assets previously reported	- 477,664
Accumulated depreciation adjustment due to reassessment of useful life - Intangible assets	- 614,144
2015 Depreciation due to reassessment of useful life - Intangible assets	- (82,047)
Restated balance	- 1,009,761

Harry Gwala District Municipality

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51. PRIOR PERIOD ERRORS (continued)

Accumulated Surplus

Balance previous reported	- 1,338,874,047
Operating grant expenditure - Ingwe Household Sanitation Project	- 1,413,146
Operating grant expenditure - Eradication of Sanitation Backlog Umzimkhulu	- 4,820
Operating grant expenditure - Eradication of Sanitation Backlog Ubuhlebezwe	- 606,552
General expenses - Salga fees	- (242,400)
Grants and subsidies revenue recognised on old grants	- 3,700,485
Contribution to bad debt provision - VAT portion for financial years before 2015	- (11,113,114)
Contribution to bad debt provision - VAT portion for 2015	- 335,996
Collection costs - Denied VAT input	- (194,814)
Repairs and maintenance - Fire extinguishers	- 11,100
Accumulated depreciation adjustment due to reassessment of useful life - Furniture and fittings	- 1,039,231
2015 Depreciation due to reassessment of useful life - Furniture and fittings	- (218,594)
Accumulated depreciation adjustment due to reassessment of useful life - Vehicles	- 878,701
2015 Depreciation due to reassessment of useful life - Vehicles	- (177,091)
Accumulated depreciation adjustment due to reassessment of useful life - Infrastructure	- 1,016,680
2015 Depreciation due to reassessment of useful life - Infrastructure	- (48,829)
Accumulated depreciation adjustment due to reassessment of useful life - Finance lease assets	- 89,951
2015 Depreciation due to reassessment of useful life - Finance lease assets	- (3,981)
Accumulated depreciation adjustment due to reassessment of useful life - Other assets	- 1,124,302
2015 Depreciation due to reassessment of useful life - Other assets	- (168,320)
Accumulated depreciation adjustment due to reassessment of useful life - Intangible assets	- 614,144
2015 Depreciation due to reassessment of useful life - Intangible assets	- (82,047)
VAT previously not claimed on travel with flair expenses	- 356,648
Restated Accumulated Surplus	- 1,337,816,613